

Message Text

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PAGE 01 MANILA 13596 01 OF 05 080418Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
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R 080333Z AUG 78
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 9711
INFO AMEMBASSY RANGOON

LIMITED OFFICIAL USE SECTION 01 OF 05 MANILA 13596

USADB

FOR NAC AGENCIES

EO 11652:NA
TAGS: EAID, EFIN, ADB, BM
SUBJECT: PROPOSED ADB LOAN FOR PYINMANA INTEGRATED SUGAR
PROJECT (BURMA)

SUMMARY: ADB MANAGEMENT IS PROPOSING DOLS 31.5 MILLION
LOAN FROM SPECIAL FUND RESOURCES FOR THE PYINMANA INTE-
GRATED SUGAR PROJECT (BURMA). THE MAIN OBJECTIVES OF THE
PROJECT ARE TO INCREASE DOMESTIC SUPPLY OF SUGAR AND
JAGGERY, RAISE THE INCOME LEVELS OF THE RURAL POPULATION
AND IMPROVE THE RURAL AND ECONOMIC CONDITIONS IN PROJECT
AREA AS WELL AS HELP INCREASE THE COUNTRY'S EXPORT OF
RICE. ALL INCREASES IN SUGAR PRODUCTION WILL BE DOMESTI-
CALLY CONSUMED. ACCORDING TO THE ADB, BURMA'S PER CAPITA
CONSUMPTION OF SUGAR IS ONE OF THE LOWEST IN THE WORLD.
THE PROJECT IS COMPRISED OF FOUR PARTS: (A) IRRIGATION,
DRAINAGE AND ROAD DEVELOPMENT; (B) AGRICULTURAL DEVELOP-
MENT AND CANE SUPPLY; (C) CONSTRUCTION OF A NEW FACTORY;
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PAGE 02 MANILA 13596 01 OF 05 080418Z

AND (D) REHABILITATION OF AN EXISTING FACTORY. THE ADB
WILL FINANCE THE FOREIGN EXCHANGE COST OF PARTS A, B AND
C. THOUGH USADB FEELS THAT PROJECT PROPOSALS CONTAIN
SOME WEAK ELEMENTS SUCH AS BURMA'S SUGAR PRICING POLICY
AND THE QUESTIONABLE EFFECTIVENESS OF THE PROPOSED INTER-
DEPARTMENTAL COORDINATING COMMITTEE, WE FEEL THAT THE
PROJECT IS BASICALLY TECHNICALLY AND ECONOMICALLY SOUND.

THE U.S. EXECUTIVE DIRECTOR PLANS TO ASK THE BANK TO MONITOR BOTH THESE ASPECTS DURING PROJECT IMPLEMENTATION.

USADB THEREFORE RECOMMENDS FAVORABLE NAC ACTION. END SUMMARY.

1. ADB DOC. R68-78 WITH ATTACHMENTS WAS POUCHED ADDRESSEES AUGUST 3. PROPOSED LOAN IS SCHEDULED FOR BOARD CONSIDERATION AUGUST 22.

2. IT IS PROPOSED THAT A BANK LOAN OF DOLS 31.5 MILLION BE MADE FROM THE SPECIAL FUNDS RESOURCES OF THE BANK TO FINANCE THE FOREIGN EXCHANGE COSTS OF PARTS (A) IRRIGATION DRAINAGE AND ROAD DEVELOPMENT, DOLS 7.71 MILLION; (B) AGRICULTURAL DEVELOPMENT AND CANE SUPPLY, DOLS 1.32 MILLION; AND (C) CONSTRUCTION OF A NEW FACTORY OF THE PROJECT, DOLS 14.5 MILLION (ALSO INCLUDED IN ADB LOAN IS DOLS 7.71 MILLION FOR CONTINGENCIES). THE GOVERNMENT HAS AGREED THAT IT WILL OBTAIN FINANCIAL ASSISTANCE FROM AN EXTERNAL SOURCE TO MEET THE FOREIGN EXCHANGE REQUIREMENT OF PART (D) REHABILITATION OF EXISTING FACTORY TO ITS RATED CAPACITY OF 1,500 TONS OF CANE/DAY. MAKING SATISFACTORY ARRANGEMENTS FOR SUCH FINANCING OR ALLOCATION OF NECESSARY AMOUNT FROM THE GOVERNMENT'S OWN RESOURCES WILL BE A PRECONDITION OF THE EFFECTIVENESS OF THE BANK LOAN. THE AMOUNT OF THE PROPOSED BANK LOAN LIMITED OFFICIAL USE

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PAGE 03 MANILA 13596 01 OF 05 080418Z

INCLUDES DOLS 205,000 BEING THE AMOUNT ACTUALLY SPENT IN EXCESS OF DOLS 100,000 FROM THE PRIOR TECHNICAL ASSISTANCE (TA NO. 166-BUR). THE BORROWER WILL BE THE SOCIALIST REPUBLIC OF THE UNION OF BURMA AND THE EXECUTING AGENCIES WILL BE THE IRRIGATION DEPARTMENT (ID) FOR THE IRRIGATION, DRAINAGE AND ROAD DEVELOPMENT COMPONENT (PART A) OF THE PROJECT, WHILE THE FOODSTUFF INDUSTRIES CORPORATION (FIC) WILL IMPLEMENT THE AGRICULTURAL AND FACTORY DEVELOPMENT COMPONENTS (PARTS B, C AND D) OF THE PROJECT. THE PROCEEDS OF THE LOAN AND THE LOCAL COST REQUIREMENTS FOR PART A OF THE PROJECT WILL BE MADE AVAILABLE BY THE GOVERNMENT TO ID THROUGH BUDGET APPROPRIATION WHILE THE PROCEEDS OF THE BANK LOAN FOR THE AGRICULTURAL AND FACTORY DEVELOPMENT COMPONENTS (PARTS B AND C) WILL BE RELENT BY THE GOVERNMENT TO FIC UNDER A SUBSIDIARY LOAN AGREEMENT ACCEPTABLE TO THE BANK AT AN INTEREST RATE OF 8.5 PERCENT PER ANNUM FOR A TERM OF 20 YEARS INCLUDING A GRACE PERIOD OF SIX YEARS. THE LOCAL CURRENCY COSTS FOR PARTS B, C AND D WILL BE FINANCED BY FIC FROM ITS OWN RESOURCES AND THROUGH BORROWINGS FROM THE MYANMA ECONOMIC BANK AT THE PREVAILING RATE OF INTEREST.

3. THE PROJECT PROVIDES FOR IMPROVEMENT AND EXPANSION OF THE IRRIGATION, AGRICULTURAL AND SUGAR PROCESSING FACILITIES IN THE PROJECT AREA COVERING ABOUT 44,300 ACRES IN NORTHERN CENTRAL VALLEY OF THE SITTANG RIVER BASIN IN CENTRAL BURMA. PART A COMPRISES (I) CONSTRUCTION OF A STORAGE DAM ON THE NGALAIK RIVER, A DIVERSION WEIR AND AN IRRIGATION SYSTEM TO IRRIGATE ABOUT 20,200 ACRES OF LAND; (II) PROVISION OF A DRAINAGE SYSTEM FOR THE LOW-LYING PARTS OF THE PROJECT AREA; (III) CONSTRUCTION AND REHABILITATION OF THE REQUIRED FARM AND FEEDER ROADS; AND (IV) PROVISION OF CONSULTANT SERVICES FOR IRRIGATION AND THE RELATED FACILITIES. PART B INCLUDES PROVISION OF (I) SEED CANE MULTIPLICATION PROGRAM; (II) EXTENSION SERVICES AND INPUT SUPPLY FACILITIES; (III) CANE PROCURE-LIMITED OFFICIAL USE

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PAGE 04 MANILA 13596 01 OF 05 080418Z

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PAGE 01 MANILA 13596 02 OF 05 080426Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
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TO SECSTATE WASHDC 9712
INFO AMEMBASSY RANGOON

LIMITED OFFICIAL USE SECTION 02 OF 05 MANILA 13596

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MENT AND TRANSPORT FACILITIES; AND (IV) CONSULTANT SERVICE AND STAFF TRAINING FOR AGRICULTURAL DEVELOPMENT ASPECTS. PART C INCLUDES (I) CONSTRUCTION OF A NEW SUGAR FACTORY

OF 1,500 TONS OF CANE/DAY CAPACITY ADJACENT TO THE EXISTING MILL; (II) PROVISION OF ANCILLARY FACILITIES SUCH AS WORKSHOP, LABORATORY WORKERS' HOUSING, WATER SUPPLY FOR PROCESSING AND DOMESTIC USE, TELEPHONE AND TRANSPORT FACILITIES; AND (III) RELATED CONSULTANT SERVICE AND STAFF TRAINING. PART D CONSISTS OF REHABILITATION OF THE EXISTING PYINMANA SUGAR MILL TO ITS RATED CAPACITY OF 1,500 TONS OF CANE/DAY.

4. THE SUGAR INDUSTRY IN BURMA CONSISTS OF A MODERN SECTOR PRODUCING MILL WHITE SUGAR ALONGSIDE A TRADITIONAL SECTOR PRODUCING "JAGGERY" - A BROWN SUGAR OF STICKY CONSISTENCY. JAGGERY IS PRODUCED FROM BOTH SUGAR-CANE AND VARIOUS PALMS BY CONCENTRATING THE JUICE THROUGH BOILING IN OPEN PANS. OVER THE PAST DECADE, PRODUCTION OF THE LIMITED OFFICIAL USE

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PAGE 02 MANILA 13596 02 OF 05 080426Z

THREE TYPES OF SUGAR -- MILL WHITE, CANE JAGGERY AND PALM JAGGERY -- HAS AVERAGED ABOUT 150,000 TONS PER YEAR, AND CONSIDERING THE PERIOD AS A WHOLE, WAS ABOUT EQUALLY DIVIDED AMONG THE THREE TYPES.

5. UP TO THE MID-1960S, IMPORTS OF WHITE/REFINED SUGAR CONSTITUTED AN ADDITIONAL IMPORTANT SOURCE OF SUPPLY AND WERE AS HIGH AS 50,000 TONS IN 1964/65. HOWEVER, SINCE 1966/67, IMPORTS HAVE BEEN RESTRICTED TO MINIMAL QUANTITIES IN VIEW OF THE WORSENING BALANCE OF PAYMENTS SITUATION OF THE COUNTRY. AS A RESULT OF THESE DEVELOPMENTS AND POPULATION GROWTH, PER CAPITA CONSUMPTION OF ALL TYPES OF SUGAR DECLINED FROM AN AVERAGE OF MORE THAN 15 LB. IN THE EARLY 1960S TO ABOUT 10 LB. IN RECENT YEARS AND THAT OF WHITE SUGAR FELL FROM 7.5 LB. TO LESS THAN 3 LB. THESE CONSUMPTION LEVELS ARE AMONG THE LOWEST IN THE WORLD.

6. THE SUGAR FACTORIES PROCURE ALL THEIR CANE SUPPLIES FROM FARMERS UNDER A SYSTEM WHICH COMPRISES THREE ESSENTIAL ELEMENTS, I.E., (I) A COMPULSORY SUPPLY QUOTA; (II) A PURCHASE PRICE FIXED BY THE GOVERNMENT AND (III) ADVANCE PAYMENTS MADE AGAINST THE CONTRACTED SUPPLY OF CANE. THE GOVERNMENT FIXES CANE PRICES TO BE PAID BY THE SUGAR MILLS AND ALSO CONTROLS SUGAR PRICES AT ALL LEVELS. ON THE OTHER HAND, THE JAGGERY PRICE IS NOT CONTROLLED NOR IS THE PRICE PAID FOR CANE BY JAGGERY PRODUCERS. UNDER THIS SITUATION, THE CANE QUOTA SYSTEM IS WORKABLE AS LONG AS SUGAR AND JAGGERY PRICES ARE IN REASONABLE BALANCE AND THE CANE PRICE THAT JAGGERY PRODUCERS CAN AFFORD TO PAY IS IN LINE WITH THE PRICE FIXED BY THE GOVERNMENT AS BINDING FOR THE SUGAR MILLS, WHICH GENERALLY WAS THE CASE UNTIL 1972/73. SUBSEQUENTLY, THE QUOTA SYSTEM BECAME UNWORKABLE

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PAGE 03 MANILA 13596 02 OF 05 080426Z

AS JAGGERY PRICES INCREASED SHARPLY AND JAGGERY PRODUCERS PAID FARMERS FAR HIGHER PRICES FOR THEIR CANE THAN THE FACTORIES WERE ALLOWED TO PAY. AS A RESULT, SUGAR MILLS FACED INCREASING PROBLEMS IN CANE SUPPLIES AND ACCORDINGLY SUGAR PRODUCTION DECLINED SHARPLY TO 34,000 TONS IN 1973/74, 21,000 TONS IN 1974/75 AND 31,000 TONS IN 1975/76.

7. TO COPE WITH THE DIFFICULTIES CREATED BY PREVAILING PRICING ARRANGEMENTS FOR CANE AND ALSO FOR OTHER CROPS, THE GOVERNMENT HAS ADOPTED A MORE FLEXIBLE POLICY SO THAT PRICES OF AGRICULTURAL COMMODITIES AND OF PRODUCTS OF STATE ENTERPRISES WILL BE MORE IN LINE WITH REAL ECONOMIC PRICES. TO PROVIDE GUIDANCE IN ADJUSTING THE PRICES, A PRICE CONTROL COMMITTEE HAS BEEN ESTABLISHED WITH THE DEPUTY MINISTER OF TRADE (MT) AS CHAIRMAN, AND INCLUDING AS MEMBERS, REPRESENTATIVES OF THE MINISTRIES CONCERNED AND OF THE INSTITUTE OF ECONOMICS (IE). IN THE LIGHT OF THE NEW PRICING POLICY, IN 1974, THE CANE PURCHASE PRICE WHICH HAD BEEN MAINTAINED AT K40 PER TON FOR SEVERAL YEARS WAS INCREASED TO K60 PER TON. THIS INCREASE WAS CLEARLY NOT SUFFICIENT AND 1976/77, THE PRICE WAS INCREASED FURTHER TO K100 PER TON. THE NEW PRICE HAS REVIVED THE FARMERS' INTEREST TO GROW AND SELL MORE CANE TO SUGAR FACTORIES AND HAS LED TO SHARPLY INCREASED CANE SUPPLIES TO THE SUGAR INDUSTRY. THE PRICE IS NOW IN LINE WITH CANE PRICES IN OTHER ASIAN COUNTRIES AND HAS ALSO IMPROVED THE COMPETITIVENESS OF CANE VIS-A-VIS RICE, PARTICULARLY IF DIFFERENCES IN CREDIT FACILITIES ARE TAKEN INTO ACCOUNT.

8. TO MAINTAIN THE ATTRACTIVENESS OF THE CANE PRICE FOR FARMERS AND THE CANE SUPPLY FOR THE FACTORY, THE GOVERNMENT AGREED THAT ANNUALLY THREE MONTHS BEFORE EACH PLANTING SEASON, THE GOVERNMENT WILL REVIEW THE CANE PURCHASE PRICE. THE CANE PRICE WILL BE MAINTAINED AT A LEVEL THAT

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PAGE 04 MANILA 13596 02 OF 05 080426Z

WILL ENABLE FARMERS TO EARN A REASONABLE INCOME, AND ENCOURAGE THEM TO GROW AND SELL MORE CANE TO THE FACTORY.

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PAGE 01 MANILA 13596 03 OF 05 080447Z

ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
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LIMITED OFFICIAL USE SECTION 03 OF 05 MANILA 13596

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9. ID, WHICH WILL IMPLEMENT PART A OF THE PROJECT, IS A DEPARTMENT UNDER THE MINISTRY OF AGRICULTURE AND FORESTS (MAF) AND IS RESPONSIBLE FOR PLANNING, CONSTRUCTION AND OPERATION AND MAINTENANCE OF ALL IRRIGATION AND DRAINAGE SYSTEMS IN THE COUNTRY. IT HAS A STAFF STRENGTH OF ABOUT 6,800 INCLUDING 200 QUALIFIED ENGINEERS AND AGRICULTURISTS AND 600 TECHNICIANS. ID HAS ITSELF CONSTRUCTED ABOUT TEN STORAGE DAMS, SOME OF WHICH ARE LARGER THAN THE DAM PROPOSED UNDER THE PROJECT. ID IS EXECUTING AGENCY FOR THE BANK-FINANCED SEDAWGYI MULTI-PURPOSE DAM AND IRRIGATION PROJECT IN BURMA (LOAN NO. 266-BUR(SF)) AND IS CONSIDERED CAPABLE TO IMPLEMENT THE IRRIGATION, DRAINAGE AND ROAD DEVELOPMENT COMPONENTS OF THE PROJECT. HOWEVER, IN ORDER TO ASSIST IN THE DESIGN AND TIMELY IMPLEMENTATION OF THE PROJECT IRRIGATION FACILITIES, THE SERVICES OF SIX EXPATRIATE EXPERTS FROM A FIRM FOR A TOTAL PERIOD OF 55 MAN-MONTHS HAVE BEEN PROVIDED UNDER THE PROJECT.

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PAGE 02 MANILA 13596 03 OF 05 080447Z

10. FIC, WHICH WILL IMPLEMENT PARTS B, C AND D OF THE PROJECT, IS A STATE-OWNED BODY ESTABLISHED IN MARCH 1972 UNDER A GOVERNMENT (MINISTRY OF INDUSTRY NO. 1) NOTIFI-

CATION. IT IS ONE OF THE LARGEST CORPORATIONS IN BURMA AND OPERATES AND MANAGES 43 FOODSTUFF FACTORIES, INCLUDING FIVE SUGAR FACTORIES IN THE COUNTRY. TO IMPROVE ITS OPERATION AND MANAGEMENT, FIC HAS BEEN REORGANIZED EFFECTIVE 1 JULY 1978. THE VARIOUS INDUSTRIES UNDER IT HAVE BEEN DIVIDED INTO TWO GROUPS, ONE OF WHICH IS SUGAR AND TOBACCO GROUP. EACH GROUP HAS ITS OWN MANAGEMENT STRUCTURE. THE GOVERNMENT HAS AGREED TO TAKE NECESSARY STEPS TO FURTHER IMPROVE AND STRENGTHEN FIC AND TO GRANT IT GREATER AUTONOMY IN OPERATING SUGAR MILLS. IN ORDER TO ASSIST FIC IN THE DESIGN AND IMPLEMENTATION OF THE FACTORY DEVELOPMENT COMPONENT (PART C) OF THE PROJECT, THE SERVICES OF SIX EXPATRIATE ENGINEERS (SUGAR FACTORY, SUGAR PROCESSING, STRUCTURAL, POWER, ELECTRICAL AND MECHANICAL ENGINEERS) FROM A FIRM FOR A TOTAL PERIOD OF 46 MAN-MONTHS HAVE BEEN PROVIDED UNDER THE PROJECT. PROVISION HAS ALSO BEEN MADE FOR STAFF TRAINING IN THE COUNTRY AND ABROAD FOR A TOTAL OF 78 MAN-MONTHS, AS WELL AS FOR ON-THE-JOB TRAINING BY THE EXPATRIATE ENGINEERS, TO ENSURE EFFICIENT OPERATION AND MANAGEMENT OF THE PROJECT FACTORIES. FURTHER, TO ASSIST FIC IN IMPLEMENTING THE AGRICULTURAL DEVELOPMENT COMPONENT (PART B) OF THE PROJECT, SERVICES OF A CANE AGRONOMIST AND A CANE PATHOLOGIST WILL BE MADE AVAILABLE UNDER THE PROJECT FOR A TOTAL OF 18 MAN-MONTHS.

11. IN ADDITION TO THE TWO EXECUTING AGENCIES, OTHER GOVERNMENT AGENCIES SUCH AS THE AGRICULTURE CORPORATION, AGRICULTURE MECHANIZATION DEPARTMENT, MYANMA AGRICULTURAL BANK AND CONSTRUCTION CORPORATION WILL PLAY COMPLEMENTARY LIMITED OFFICIAL USE

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PAGE 03 MANILA 13596 03 OF 05 080447Z

AND IMPORTANT ROLES IN THE IMPLEMENTATION OF THE PROJECT. IN ORDER TO ACHIEVE EFFECTIVE COORDINATION AMONG THE EXECUTING AGENCIES AND OTHER ORGANIZATIONS CONCERNED AND TO ENSURE EFFICIENT AND TIMELY EXECUTION OF THE PROJECT, THE GOVERNMENT HAS AGREED TO ESTABLISH BEFORE LOAN EFFECTIVENESS, A HIGH-LEVEL INTER-DEPARTMENTAL COORDINATION COMMITTEE UNDER THE CHAIRMANSHIP OF THE DEPUTY MINISTER OF THE MINISTRY OF INDUSTRY NO. 1. OTHER MEMBERS OF THE COMMITTEE WILL INCLUDE THE DIRECTOR GENERAL OF PLANNING AND STATISTICS OF MAF AND SENIOR OFFICIALS FROM THE EXECUTING AGENCIES AND OTHER AGENCIES CONCERNED.

12. THE PRIMARY BENEFIT TO THE NATIONAL ECONOMY FROM THE PROJECT WILL BE THE INCREASED PRODUCTION OF SUGAR, MOLASSES, SUGAR-CANE FOR JAGGERY, AND PADDY, RESULTING IN INCREASED EXPORT EARNINGS FROM RICE AS WELL AS INCREASE IN SUPPLY OF SUGAR AND JAGGERY FOR DOMESTIC CONSUMPTION. AT FULL DEVELOPMENT, THE VALUE OF THE INCREMENTAL PRO-

DUCTION TO THE ECONOMY IS ESTIMATED AT ABOUT DOLS 19.0
MILLION PER YEAR, CONSISTING OF 22,600 TONS OF PLANTATION
WHITE SUGAR, 10,200 TONS OF REFINED SUGAR, 10,000 TONS OF
RICE, AND 190,000 TONS OF SUGAR-CANE FOR JAGGERY.

13. THE IMMEDIATE BENEFICIARIES OF THE AGRICULTURAL DEVEL
OPMENT WILL BE ABOUT 10,000 FARMERS. THEIR NET FARM
INCOMES ARE ESTIMATED TO INCREASE BY BETWEEN 100 AND 350
PERCENT. THE LANDLESS FARMERS WOULD ALSO BENEFIT AS THE
FARM LABOR REQUIREMENT IN THE PROJECT AREA WILL INCREASE
SUBSTANTIALLY. THE REQUIREMENT OF SKILLED AND UNSKILLED
LABOR DURING PROJECT IMPLEMENTATION WOULD CREATE OPPORTUNI
TIES FOR OFF-FARM INCOMES.

14. THE ECONOMIC RATE OF RETURN OF THE PROJECT AT THE
OFFICIAL EXCHANGE RATE (DOL 1.00 EQUALS K7.3) IS ESTIMATED
AT 18 PERCENT. WHEN THE EXCHANGE RATE IS SHADOW-PRICED
AT DOL 1.00 EQUALS K13.0, THE RATE OF RETURN WORKS OUT AT
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PAGE 04 MANILA 13596 03 OF 05 080447Z

24 PERCENT. THE OFFICIAL EXCHANGE RATE FOR THE KYAT IS
MAINTAINED THROUGH STRINGENT EXCHANGE CONTROL AND TRADE

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PAGE 01 MANILA 13596 04 OF 05 080458Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
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TO SECSTATE WASHDC 9714
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LIMITED OFFICIAL USE SECTION 04 OF 05 MANILA 13596

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RESTRICTIONS AND THE BLACK MARKET RATES ARE ABOVE DOL 1.00
EQUALS K20.0. THE EXCHANGE RATE OF DOL 1.00 EQUALS K13.0
IS CONSIDERED TO BE THE RATE THAT WOULD PREVAIL WITH FREE
TRADE AND NO EXCHANGE CONTROL.

15. THE INCREASED INCREMENTAL PRODUCTION OF RICE ESTIMA-
TED AT ABOUT 10,000 TONS PER YEAR AT FULL DEVELOPMENT,
WOULD RESULT IN FOREIGN EXCHANGE EARNINGS ESTIMATED AT
NEARLY DOLS 2.6 MILLION. PYINMANA TOWNSHIP IS PRESENTLY
A RICE-DEFICIT AREA REQUIRING IMPORT FROM OTHER AREAS,
PARTICULARLY FROM LOWER BURMA. HOWEVER, BURMA IS A NET
EXPORTER OF RICE AND INCREASED RICE PRODUCTION IN THE AREA
WOULD INCREASE THE AVAILABILITY OF RICE FOR EXPORT.

16. THE PROJECT AND IN PARTICULAR THE IRRIGATION COM-
PONENT WILL CREATE SIGNIFICANT EMPLOYMENT OPPORTUNITIES.
DURING IMPLEMENTATION OF THE PROJECT, ABOUT ONE MILLION
MAN-DAYS OF SKILLED AND SEMI-SKILLED LABOR WOULD BE RE-
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PAGE 02 MANILA 13596 04 OF 05 080458Z

QUIRED. AFTER FULL DEVELOPMENT, THE ANNUAL LABOR REQUIRE-
MENT IS ESTIMATED AS FOLLOWS: 1.3 MILLION MAN-DAYS OF
FARM LABOR, 1,100 ADDITIONAL WORKERS FOR OPERATION OF THE
FACTORY, AND 150 ADDITIONAL WORKERS FOR OPERATION AND
MAINTENANCE OF THE IRRIGATION AND ROADS FACILITIES.

17. PROCUREMENT ARRANGEMENTS: THE FOLLOWING FOUR PARA-
GRAPHS (18, 19, 20, 21) CONTAIN INFORMATION THAT MAY BE
OF INTEREST TO U.S. FIRMS.

18. IN VIEW OF THE SIZE AND COMPLEXITY OF THE PROJECT, TH
GOVERNMENT AGREED TO ENGAGE CONSULTANTS TO ASSIST THE
EXECUTING AGENCIES IN THE IMPLEMENTATION OF THE PROJECT.
THE FOLLOWING CONSULTANTS WILL BE ENGAGED FOR THE IMPE-
MENTATION OF THE BANK-FINANCED PROJECT COMPONENTS: PART
A: IRRIGATION AND RELATED DEVELOPMENT: SIX EXPATRIATE
CONSULTANTS FROM ONE FIRM FOR A TOTAL OF 55 MAN-MONTHS;
PART B: AGRICULTURAL DEVELOPMENT: TWO EXPATRIATE CON-
SULTANTS, A CANE AGRONOMIST AND A CANE PATHOLOGIST TO BE
ENGAGED FOR A TOTAL OF 18 MAN-MONTHS; PART C: NEW FACTORY
DEVELOPMENT: SIX EXPATRIATE CONSULTANTS FROM ONE FIRM FOR
A TOTAL OF 46 MAN-MONTHS. THE CONSULTANTS WILL BE
SELECTED IN ACCORDANCE WITH THE BANK'S GUIDELINES ON USES
OF CONSULTANTS.

19. ALL THE EQUIPMENT, MATERIALS AND SPARE PARTS FOR THE
NEW FACTORY, INCLUDING SKILLED MANPOWER FOR THEIR

INSTALLATION, WILL BE PROCURED UNDER ONE CONTRACT TO BE LET AFTER INTERNATIONAL COMPETITIVE BIDDING AMONG PRE-QUALIFIED CONTRACTORS. THE CONSULTANTS WILL ASSIST IN THE PREPARATION OF PREQUALIFICATION INVITATIONS AND THE EVALUATION OF PROPOSALS FOR PREQUALIFICATION; THEY WILL ALSO PREPARE TENDER DOCUMENTS TO BE ISSUED TO PREQUALIFIED LIMITED OFFICIAL USE

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PAGE 03 MANILA 13596 04 OF 05 080458Z

CONTRACTORS AND WILL ASSIST IN THE EVALUATION OF BID PROPOSALS RECEIVED. THE LATTER WILL CONTAIN DETAILED DESCRIPTION (INCLUDING ORIGIN, SUPPLIER AND MAKE, PERFORMANCE DATA AND COSTS) OF INDIVIDUAL EQUIPMENT ITEMS AS WELL AS DESIGNS AND LAYOUT OF THE ENTIRE FACTORY (INCLUDING STEAM AND POWER BALANCES, FLOW CHARTS, ETC.).

20. TO THE EXTENT POSSIBLE, PROCUREMENT OF THE REMAINING ITEMS WILL BE ARRANGED IN SUCH A WAY THAT EACH BID PACKAGE OR CONTRACT WILL BE APPROPRIATE IN SIZE FOR INTERNATIONAL COMPETITIVE BIDDING. EACH SUPPLY CONTRACT FOR EQUIPMENT OR MATERIALS ESTIMATED TO COST THE EQUIVALENT OF DOLS 100,000 OR MORE WILL BE AWARDED ON THE BASIS OF INTERNATIONAL COMPETITIVE BIDDING AND THOSE CONTRACTS ESTIMATED TO COST LESS THAN THE EQUIVALENT OF DOLS 100,000 (OTHER THAN MINOR ITEMS) WILL BE ON THE BASIS OF INTERNATIONAL SHOPPING IN ACCORDANCE WITH THE BANK'S GUIDELINES FOR PROCUREMENT.

21. THE BANK FEELS THAT INTERNATIONAL BIDDING IS INAPPROPRIATE FOR THE PROCUREMENT OF SPARES TO REHABILITATE ID'S EXISTING CONSTRUCTION EQUIPMENT. THEREFORE, IT IS RECOMMENDED THAT SUCH ITEMS BE OBTAINED DIRECT FROM MANUFACTURERS OF THE ORIGINAL EQUIPMENT OR THEIR AGENTS. THE AMOUNT ALLOCATED FOR THIS PURPOSE IS DOLS 800,000. PRIOR TO PROCUREMENT, BANK'S APPROVAL WILL BE OBTAINED WITH REGARD TO LIST OF PARTS, SOURCES OF PROCUREMENT AND AMOUNTS.

22. USADB COMMENT: PROJECT APPEARS TECHNICALLY AND ECONOMICALLY SOUND THOUGH WE FEEL THERE ARE TWO POINTS THAT SHOULD BE RAISED AT THE BOARD, NAMELY: (1) BURMA'S SUGAR PRICING POLICY, AND (2) EFFECTIVENESS OF THE INTER-DEPARTMENTAL COORDINATING COMMITTEE. IN ORDER FOR THE PROJECT TO SUCCEED THERE MUST BE SUFFICIENT SUGAR CANE SUPPLIED TO THE MILLS. UNDER THE PRESENT SCHEME THE LIMITED OFFICIAL USE

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PAGE 04 MANILA 13596 04 OF 05 080458Z

FARMERS WILL BE OBLIGATED TO SUPPLY A CERTAIN QUOTA AT A
GOVERNMENT-DETERMINED PRICE (THEY WILL ALSO RECEIVE A

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PAGE 01 MANILA 13596 05 OF 05 080454Z
ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03 LAB-04
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INFO AMEMBASSY RANGOON

LIMITED OFFICIAL USE SECTION 05 OF 05 MANILA 13596

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SMALL ADVANCE WHICH IS DEDUCTED FROM THE GOVERNMENT'S
PRICE UPON SALE OF THE SUGAR CANE TO THE MILL). PREVIOUS
EFFORTS BY THE GOVERNMENT TO DETERMINE PRICES HAVE LED
TO SHORTAGES OF RAW SUGAR AVAILABLE FOR MILLING. THE BANK
DOES REPORT THAT THE BURMESE HAVE BEEN TRYING TO MAKE
THEIR PRICES COMPETITIVE WITH OTHER SUGAR PRODUCING AREAS
IN SOUTH EAST ASIA AND HAVE INSTITUTED A MECHANISM FOR
PRICE REVIEW. GIVEN BURMA'S SLOW PROGRESS TOWARD LIBERA-
LIZING ITS ECONOMY IT IS PROBABLY UNREASONABLE TO EXPECT
A MARKET DETERMINED PRICE. NONETHELESS WE BELIEVE THE
BANK SHOULD BE ASKED TO MONITOR THE PRICE OF SUGAR CANE
SO AS TO ENSURE AN ADEQUATE SUPPLY OF CANE TO THE MILL.
SECONDLY, THIS PROJECT, BY THE BANK'S OWN ADMISSION, IS
COMPLICATED. WE, THEREFORE, FULLY CONCUR THAT A
COORDINATING MECHANISM MUST BE ESTABLISHED. WE PLAN TO
RECOMMEND AT THE BOARD MEETING THAT THE ADB ASSIST IN
FORMULATION OF THE ROLE AND OBJECTIVES OF THIS COORDINA-
TING COMMITTEE. BECAUSE OF THE IMPORTANCE OF COORDINATION
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PAGE 02 MANILA 13596 05 OF 05 080454Z

THE ADB SHOULD VERY CAREFULLY MONITOR THE OPERATION OF THIS GROUP AND PROVIDE ASSISTANCE WHENEVER NEEDED. WITH THESE RECOMMENDATIONS IN MIND, USADB RECOMMENDS FAVORABLE NAC ACTION.

23. REQUEST AMEMBASSY RANGOON COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DATED JULY 3, 1972. EDMOND

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, DEVELOPMENT LOANS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 08 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MANILA13596
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780323-1036
Format: TEL
From: MANILA USADB
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780888/aaaacvpr.tel
Line Count: 613
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ab250467-c288-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1806231
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN FOR PYINMANA INTEGRATED SUGAR PROJECT (BURMA) SUMMARY: ADB MANAGEMENT IS PROPOSING DOLS 31.5 MI
TAGS: EAID, EFIN, BM, ADB
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ab250467-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014